Industry Canada Industrie Canada

Monthly Economic Indicators

June 2004

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at http://strategis.ic.gc.ca/epic/internet/ineas-aes.nsf/en/h_ra01898e.html

Canada

MONTHLY ECONOMIC INDICATORS

June 2004

HIGHLIGHTS

- *Real gross domestic product (GDP) increased 2.4% in the first quarter, after increasing 3.3% in the fourth.*
- *Employment surged 56,000 in May, mostly in full-time. This followed a strong gain of 50,000 in April. The unemployment rate edged down to 7.2%.*
- *Canada's trade surplus hit its second highest level ever in April as exports grew six times faster than imports.*
- *These developments, together with continued strength in the housing market, point to a faster growth in the second quarter.*
- *On June 8, the Bank of Canada left its overnight rate unchanged at 2.0%.*
- *In the United States (U.S.), recent indicators, including the creation of 950,000 jobs between March and May, point to continued robust growth in the second quarter.*

Key Monthly Economic Indicators

		% Change since last month	% Change since last year	
Real GDP ($97 B)	1,032.9	0.7	2.5	March
Goods	325.8	1.1	2.8	March
Services	708.3	0.5	2.4	March
Composite Index	193.2	0.6	6.9	April
Employment (000's)	16,007	0.4	2.1	May
Full-time	13,071	0.3	2.6	May
Part-time	2,936	0.7	-0.2	May
Unemployment* (%)	7.2	7.3	7.9	May
Youth*	14.0	13.9	14.0	May
Adult*	5.9	6.0	6.7	May
CPI inflation*	1.6	0.7	3.0	April
Retail Sales ($M)	27,445	1.2	4.1	March
Housing Starts (000's)**	238.8	-1.2	22.6	May
Trade Balance* ($M)	7,584	6,231	4,504	April
Exports	36,643	4.4	10.1	April
Imports	29,059	0.7	0.9	April
M&E	8,362	0.8	1.3	April

		May	
	June 16***	2004	2003
3-mth Corp. paper (%)*	2.11	2.07	3.27
Long bond yield (%)*	4.98	4.77	4.50
Canadian dollar (US¢)*	72.75	73.35	73.07

*Data in levels only – % change not reported
**Canada Mortgage and Housing Corporation
***Bank of Canada's Weekly Financial Statistics
All other data from Statistics Canada

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This issue uses data available as of June 18, 2004. It has been prepared by Éric Chalifoux, Stéphane Crépeau, Kevin Koch, Joseph Macaluso, Arif Mahmud, Sue Moore, François Poitras, and François Rimbaud of the Micro-Economic Analysis Directorate, under the direction of Hossein Rostami. Translation has been provided by Lucie Larocque and Sue Hopf is responsible for production support.

Sources of information primarily include Statistics Canada, as well as the Bank of Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association, Conference Board of Canada, U.S. Bureau of Economic Analysis, and U.S. Bureau of Labor Statistics. Unless cited otherwise, data contained in graphs and tables are derived from Statistics Canada.

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National Economic and Financial Accounts

Real GDP, led by consumer spending and exports, grew in the first quarter...

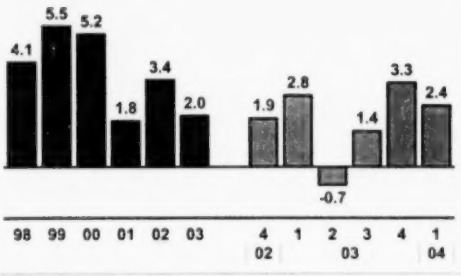
- Real gross domestic product (GDP) increased 2.4% (all rates annualized) in the first quarter after increasing 3.3% in the previous quarter.
- Growth in final domestic demand, led by consumer spending, rose to 4.8% from 2.3%. Consumer spending advanced 5.5% in the first quarter, the best quarterly performance in four years, up from 0.7% growth in the previous quarter.
- Exports of goods and services grew 6.3% following 9.4% growth in the fourth quarter, due mainly to exports of energy products, especially natural gas, and machinery and equipment. Much faster growth in exports than imports led to a substantial increase in the trade surplus.
- A source of weakness was a sharp reduction in inventory accumulation from $12.2 billion in the fourth quarter to $1.0 billion in the first. Lower inventory buildup together with stronger sales led to the inventory-to-sales ratio falling to a record low.

...while personal income and profits rose further

- Personal disposable income posted the best performance in seven quarters, rising 4.3% in the first quarter, up from 2.8% in the fourth. The fall in the personal savings rate, to a record low of 0.5%, reflected strong growth in consumer spending relative to disposable income.
- At the same time, corporate profits rose 26.6% to a record high of more than $163 billion, and reached 13% of GDP compared to a historical average of 10%.

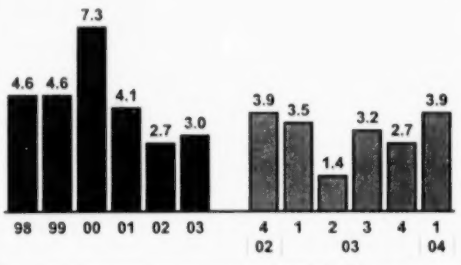
Real GDP Growth

% Change, SAAR

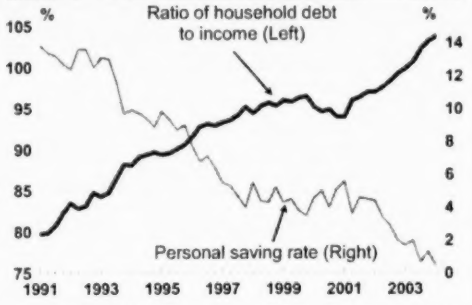


Growth in Personal Income

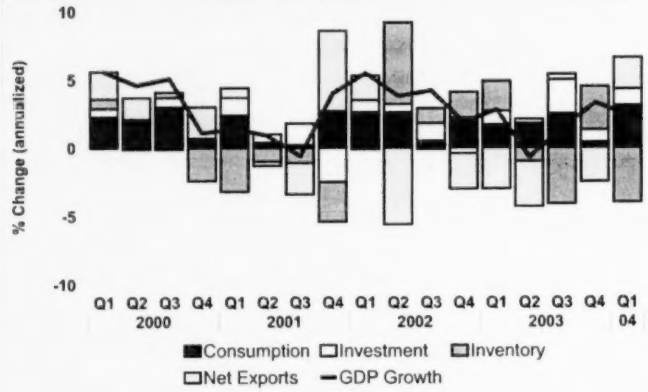
% Change, SAAR



Personal Debt and Savings Rate

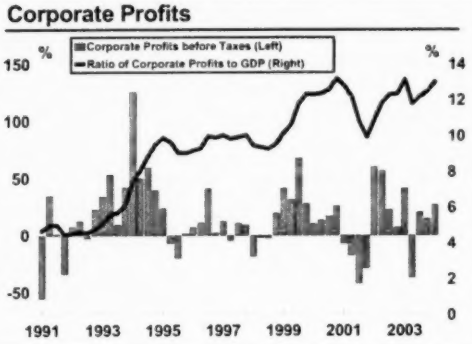


Contributions to Quarterly Real GDP Growth* (Annualized)



* For the purpose of simplification and given their relative stability over time, contributions from government expenditures are not shown.

Corporate Profits



International Accounts

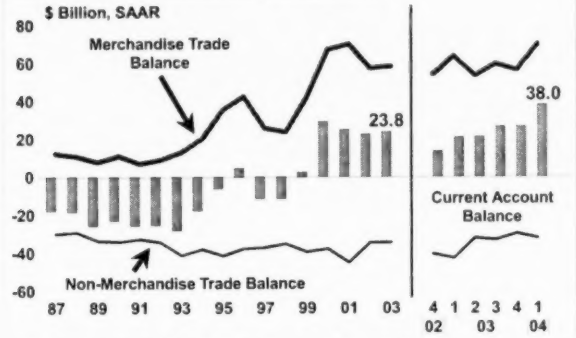
Current account surplus continued to increase in the first quarter...

- Canada's current account surplus rose $2.8 billion to $9.5 billion ($38.0 billion annualized) in the first quarter. Higher surplus on the merchandise trade led the increase.
- The merchandise trade surplus reached $17.5 billion ($70.0 billion annualized) as exports rose (4.1%) more than imports (0.6%). The increase in exports was led by energy products partly due to higher prices.
- However, the deficit in services rose slightly ($0.1 billion) to $3.0 billion, all major components were little changed. Moreover, the deficit on investment income increased $0.5 billion to $5.0 billion. Profits earned on Canadian direct investment abroad decreased mainly in the electrical products and wood and paper sectors. This was the second lowest deficit on investment income in more than 12 years.

...while Canadian direct investment abroad diminished

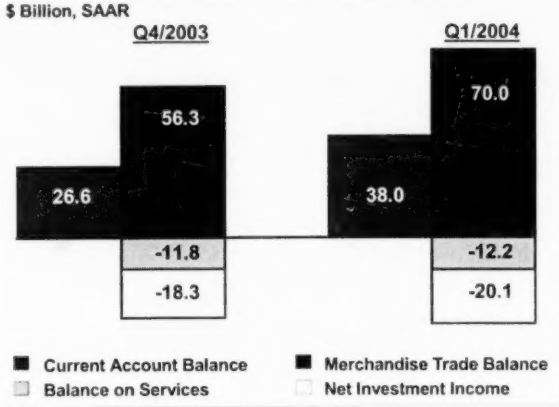
- Foreign portfolio investment of $4.4 billion flowed into Canada, as increasing Canadian stock prices enticed investors to purchase $4.3 billion of Canadian equities.
- Canadian direct investment abroad moderated to $4.8 billion with about a third going into the acquisition of foreign enterprises, mostly energy and financial companies. Foreign direct investment to Canada increased to $5.3 billion, following two quarterly declines. Most of the investment went into the communications sector.

Current Account & Trade Balances

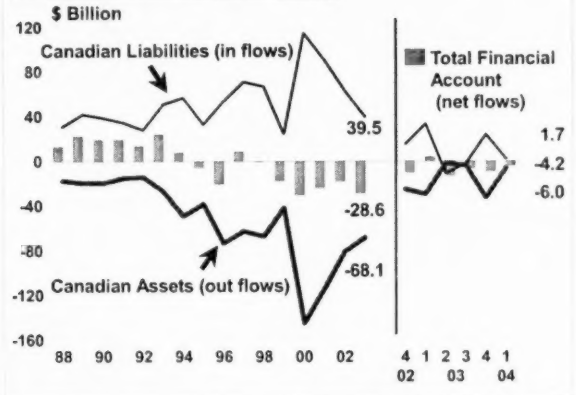


The merchandise trade balance represents net exports of goods.
The non-merchandise trade balance represents net exports of services plus net receipts of investment income and transfers.

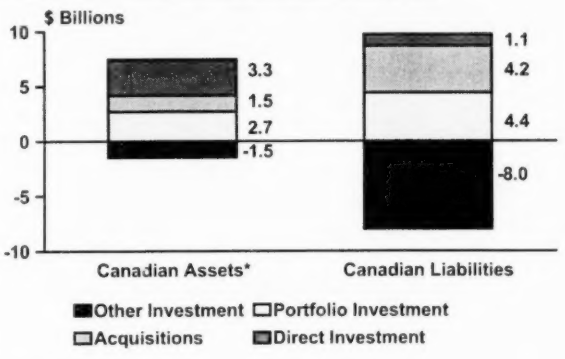
Main Components of the Current Account



Financial Account (Net Flows)



Financial Account Components, Q1/2004



* Reverse of BOP sign

Productivity & Competitiveness

Canada's productivity rose for the first time in a year...

- Canada's labour productivity in the business sector increased 1.4% (annual rate) in the first quarter of 2004 as real GDP rose at a faster pace than hours worked. This increase follows a lackluster performance during most of 2003. Labour productivity growth in the U.S. rose 4.5% in the first quarter, more than three times Canada's pace, as output grew 3.7% while the number of hours worked decreased 0.8%.

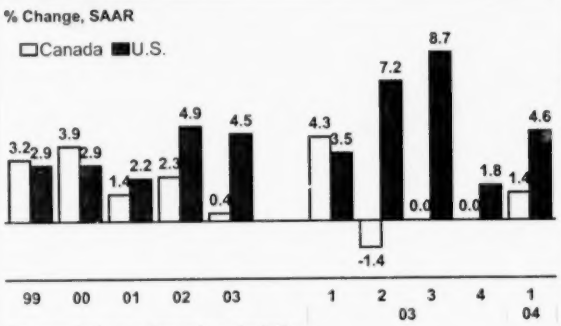
...helping reduce unit labour costs...

- Unit labour costs in Canada's business sector declined 0.7% in the first quarter, as increases in hourly wages (0.7%) was lower than productivity growth. This was the first quarterly decrease since the third quarter of 2002. In the U.S., unit labour costs rose 1.2% in the first quarter, but at a slower pace than the previous quarter (1.9%). Hourly compensation growth (5.9%) was slightly higher than productivity.

...and improve Canada's relative competitiveness

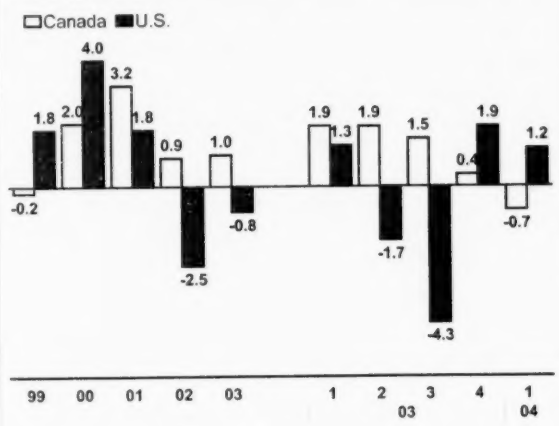
- A decrease in unit labour costs and the depreciation of the loonie vis-à-vis the U.S. dollar in the first quarter led to a slight improvement in Canada's business sector competitiveness, as measured by relative unit labour costs in Canada and the U.S. in a common currency. This was the first improvement since the third quarter of 2002. Canada's competitiveness deteriorated in 2003, mainly due to the sharp appreciation of the Canadian dollar.

Productivity Growth



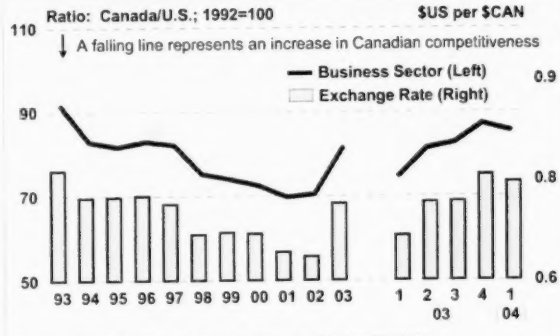
Source: Industry Canada calculations

Growth in Unit Labour Costs*



* For the business sector
Source: Statistics Canada, U.S. Bureau of Labour Statistics and Industry Canada calculations.

Unit Labour Cost Comparison ($US)



Source: Statistics Canada & U.S. Bureau of Labor Statistics

THE ECONOMY

Real GDP by Industry

Strong economic growth in March...

- Real output rose 0.7% in March, following little growth in January and February. This was the sharpest growth since the bounce back from the power blackout in August 2003. Strength was widespread, led by construction and manufacturing, wholesale and retail trade. Despite the sharp rise in March, output rose only 0.6% in the first quarter, following a 0.9% increase in the previous quarter. However, recent indicators including employment, exports and shipments point to faster growth in the second quarter.

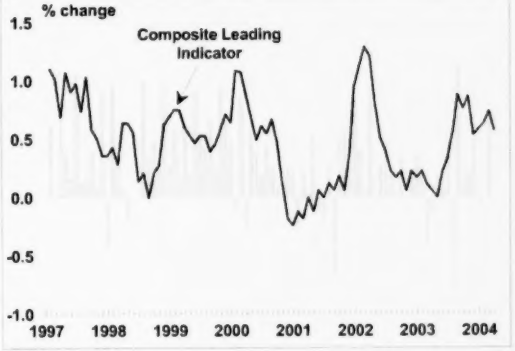
...as output rebounded in the goods sector

- Output growth in the goods sector rebounded with a 1.1% increase, after a relatively flat January and a 0.6% decline in February. March's output was bolstered by strong growth in construction (3.0%) and manufacturing (1.5%). Lower mining and utilities' output moderated growth in this sector. Output in the sector rose 0.8% in the first quarter, following a rise of 1.6% in the previous quarter, the moderation in growth came largely from the manufacturing sector, which rose only by 0.6% in the first quarter after a 2.0% increase in the fourth.

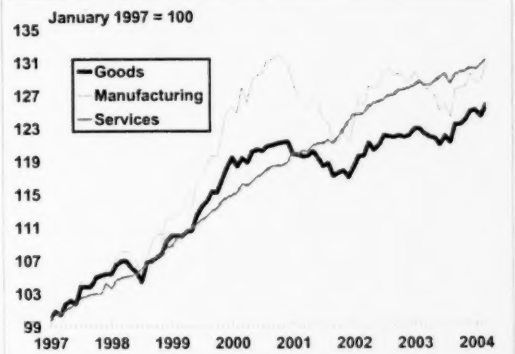
...and the service sector continued to grow

- In March, the service sector posted a 0.5% increase in output, following an increase of 0.4% in February. Wholesale (2.7%), retail trade (1.1%), professional services (1.0%), transportation (0.8%) and finance (0.6%) made substantial contributions to growth in the sector. Most of the remaining industry groups posted small declines, led by education (0.9%). This helped the sector post a 0.5% increase in output from the fourth to the first quarter, after a rise of 0.6% the previous quarter.

Real GDP at Basic Prices



Real GDP by Major Sector



Real GDP at Basic Prices (1997 chained dollars)

March 2004	$ millions	monthly change	% Change since last month	% Change since last year
Total Economy	**1,032,876**	**7,482**	**0.7**	**2.5**
Business Sector	**877,084**	**7,835**	**0.9**	**2.8**
Goods-producing	**325,757**	**3,594**	**1.1**	**2.8**
Agri., Forest, Fish, Hunt*	24,264	491	2.1	4.3
Mining & Oil & Gas Extraction	37,234	-365	-1.0	4.1
Utilities	25,180	-397	-1.6	-5.1
Construction	57,867	1,675	3.0	6.7
Manufacturing	180,441	2,696	1.5	2.3
Services-producing	**708,341**	**3,786**	**0.5**	**2.4**
Wholesale Trade	63,852	1,666	2.7	3.2
Retail Trade	58,463	632	1.1	4.8
Transportation & Warehousing	47,164	375	0.8	1.3
Information & Cultural	41,920	166	0.4	-0.3
FIRE**	208,804	1,229	0.6	3.8
Professional***	45,634	441	1.0	3.1
Admin. & Waste Mgmt	22,276	-159	-0.7	0.9
Education	44,405	-413	-0.9	-2.1
Health & Social	61,537	136	0.2	2.2
Arts, Entertain. & Recreation	9,279	-45	-0.5	-1.3
Accommodation & Food	23,001	-7	-0.0	1.8
Other	24,359	-8	-0.0	0.9
Public Administration	58,636	-61	-0.1	2.0

*Agriculture, Forestry, Fishing & Hunting
**Finance, Insurance & Real Estate
***Professional, Scientific & Technical services

Consumer Spending and Attitudes

Consumer spending surged in the first quarter...

- Following a slight 0.7% (annual rate) gain in the fourth quarter, real consumer spending jumped 5.5% in the first quarter, sparked by strong rebounds in durable and semi-durable goods.
- Disposable income rose 4.3% in the first quarter, the best performance since the first quarter of 2003.
- Nonetheless, the saving rate fell from 1.3% in the fourth quarter to a record low of 0.5% in the first.

...and fundamentals remained solid in the second quarter

- New motor vehicle sales experienced their fourth consecutive monthly increase, rising 2.6% in April.
- Strong job creation in April and May points to further robust gain in personal income, helping sustain consumer spending.
- However, consumer confidence fell from 123.7 in April to 118.7 in May, largely as a result of consumer reluctance toward the purchase of big ticket items, such as a house or a car. Despite the decline, consumer confidence is up from a recent low of 115.3 in March 2003.

Total Retail and Motor Vehicle Sales

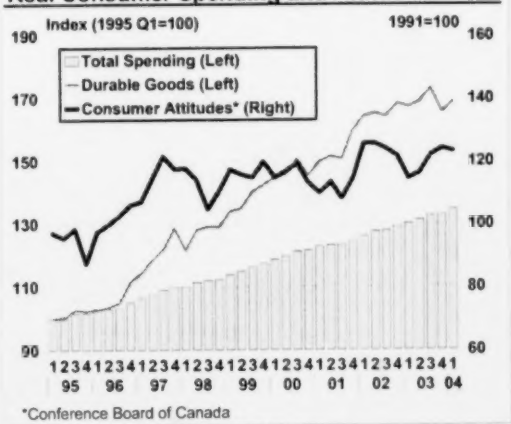
Retail Sales and Consumer Credit

March 2004	$ millions	% Change since last month	% Change since last year
Total Retail Sales (S.A.)	27,445	1.2	4.1
Food	6,079	1.0	3.9
Drug Stores	1,462	2.3	10.0
Clothing	1,463	1.6	7.5
Furniture	1,743	1.7	11.5
Automotive	10,689	1.5	0.3
General Merch. Stores	3,065	-0.8	7.5
All other Stores	2,943	1.7	7.2
Total ex. motor vehicles	20,513	1.0	5.2
Consumer Credit	253	0.7	8.8

Real Consumer Spending and Household Finances

$ Millions, SAAR (unless otherwise noted)	2002	2003	2003 Q4	2004 Q1
Real Consumption (97$)	601,594	620,444	625,780	634,148
% change	*3.4*	*3.1*	*0.7*	*5.5*
Durable Goods	93,099	94,923	93,220	94,971
% change	*8.3*	*2.0*	*-16.1*	*7.7*
Semi-Durable Goods	54,472	56,142	56,297	58,385
% change	*3.8*	*3.1*	*-1.1*	*15.7*
Non-Durable Goods	137,196	140,078	140,836	142,369
% change	*2.3*	*2.1*	*2.6*	*4.4*
Services	317,627	330,098	335,907	339,106
% change	*2.6*	*3.9*	*4.7*	*3.9*
Disposable Income	692,691	713,548	719,504	727,172
% change	*3.8*	*3.0*	*2.8*	*4.3*
Saving Rate (%)	3.2	1.4	1.3	0.5
Debt-to-Income Ratio (%)	98.1	101.5	103.2	103.8

Real Consumer Spending and Attitudes



*Conference Board of Canada

Business Investment

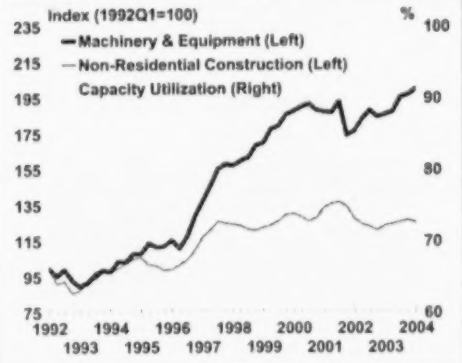
Investment rose for a fifth straight quarter...

- Business fixed investment rose 2.0% (annualized) in the first quarter.
  - Machinery & Equipment (M&E) investment rose 6.5% in the first quarter, following an upwardly revised 3.2% in the fourth.
  - Investment in non-residential structures fell 4.4% this quarter after rising 3.5% in the fourth.
- Corporate operating profits rose 26.4% in the first quarter. Profits increased in both the non-financial industries (28.2%) and the financial industries (21.5%).
  - Notable increases were witnessed in the construction (111.7%) and the manufacturing sector (65.7%).

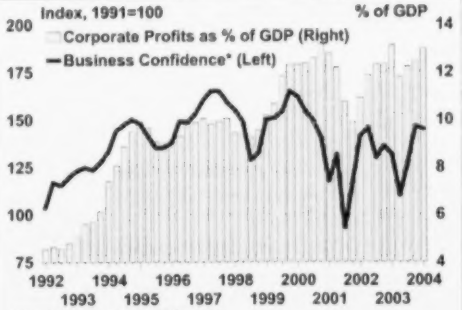
...and the trend should continue

- Sales of non-residential building permits rose 14.5% in April, marking their third consecutive increase.
- Imports of M&E rose 0.8% in April. Assuming no growth in May and June, imports of M&E would rise 2.6% in the second quarter.
- Capacity utilization rate rose to 83.5% in the first quarter, up from 82.9% in the fourth.
- Utilization rates, combined with continued strength in profits, should underpin sustained growth in capital spending.

Investment in Plant and Equipment



Corporate Profits & Business Confidence



*Conference Board of Canada

Business Investment and Corporate Finances

$ Millions, SAAR (unless otherwise noted)

	2002	2003	2003 Q2	2003 Q3	2003 Q4	2004 Q1
BUSINESS INVESTMENT						
Machinery & Equipment (1997$)	82,715	86,441	84,681	88,229	88,920	90,329
% change	*-1.2*	*4.5*	*3.6*	*17.8*	*3.2*	*6.5*
Non-residential Construction (1997$)	44,493	44,928	44,671	45,109	45,501	44,993
% change	*-8.3*	*1.0*	*2.2*	*4.0*	*3.5*	*-4.4*
Capacity Utilization (%, Non-farm goods)	82.3	82.0	81.2	81.1	82.9	83.5
Capacity Utilization (Mfg. sector)	83.3	83.0	82.2	81.7	84.2	84.9
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	149,969	172,118	162,928	171,528	178,676	189,464
% change	*4.8*	*14.8*	*-25.4*	*22.8*	*17.7*	*26.4*
Profits - Non-financial industries	115,798	128,203	120,508	125,872	131,604	140,044
% change	*8.8*	*10.7*	*-36.2*	*19.0*	*19.5*	*28.2*
Profits - Financial industries	34,169	43,915	42,420	45,656	47,072	49,424
% change	*-6.8*	*28.5*	*20.2*	*34.2*	*13.0*	*21.5*
Business Credit	892,737	908,457	906,162	909,463	913,841	923,225
% change	*4.0*	*1.8*	*0.8*	*1.5*	*1.9*	*4.2*

Housing

Further gains in residential construction...

- Real investment in residential construction rose 14.3% in the first quarter, after posting 8.2% growth in the fourth.
  - The alteration and improvement component increased 13.8% in the first quarter, almost doubling last quarter's growth rate.
  - Investment on new housing rose 18.1% this quarter, compared to 20% in the fourth quarter.

...should continue into the second quarter

- The value of residential building permits increased 4.9% in April, following a 6.7% increase in March. Assuming no growth in May and June, their second quarter level would be 7.7% higher than their first quarter level.
- Housing starts remained at high levels in April and May. Assuming no growth in June, housing starts should rise 27.7% in the second quarter.
- Analysts expect home-buying to remain strong for the rest of the year, as consumers continue to take advantage of low short-term interest rates, which are expected to rise later this year. However, housing activity is likely to cool off in response to rising mortgage rates and declining pent-up demand.
- The rise of new house prices moderated in the first quarter (5.5%) from 7.5% in the fourth.

Housing Activity

*Canada Mortgage and Housing Corporation

Monthly Housing Indicators

	Levels	Change since Last month	Change since Last year
Residential Construction (1)* ($97M, basic prices)	22,024	6.5%	14.6%
Building Permits, $M (2)*	3,118	4.9%	29.9%
Sales of Existing Homes (3)** (# of units)	27,559	-188	3,233
Housing Starts, (3)*** (# of units, SAAR)	238,800	-2,800	44,000
Newfoundland & Labrador	2,500	-200	-700
Prince Edward Island	800	100	-300
Nova Scotia	4,400	400	800
New Brunswick	4,100	300	-800
Quebec	60,500	1,200	16,300
Ontario	88,200	1,700	11,800
Manitoba	4,500	0	700
Saskatchewan	7,700	3,300	5,000
Alberta	28,900	-2,900	-4,800
British Columbia	37,300	-6,600	16,100

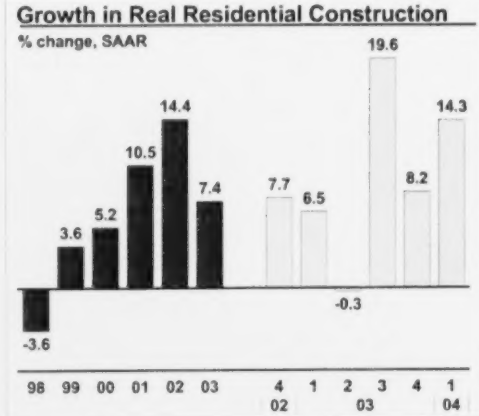
1 - March data; 2 - April data; 3 - May data
Sources: *Statistics Canada; **Canadian Real Estate Association; ***Canada Mortgage and Housing Corporation

Real Investment in Residential Structures

$97 Millions, SAAR (unless otherwise noted)

	2002	2003	2003 Q4	2004 Q1
Residential Construction	58,133	62,452	64,778	66,977
% change	*14.4*	*7.4*	*8.2*	*14.3*
New Housing	28,900	30,678	32,087	33,450
% change	*23.2*	*6.2*	*20.0*	*18.1*
Alterations & Improvements	20,600	22,619	23,272	24,036
% change	*4.7*	*9.8*	*7.6*	*13.8*
Ownership & Transfer Costs	8,639	9,204	9,464	9,564
% change	*11.5*	*6.5*	*-18.9*	*4.3*

Growth in Real Residential Construction



Trade and Competitiveness

Exports reached the highest level since 2001 in April...

- Canadian exporters increased their shipments by 4.4% in April, pushing exports to their highest level since 2001. Industrial Goods & Materials and Machinery & Equipment led the increase. Strong international demand boosted exports to all major destinations except Japan. Export prices rose 2.1%, while export volumes increased 2.3%.

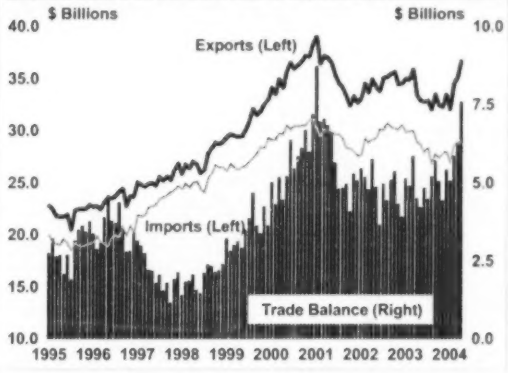
- Merchandise imports rose 0.7% in April. The increase was led by Industrial Goods & Materials. Imports from the U.S. and Other OECD countries* rose. Furthermore, import prices rose 1.1% and import volumes edged down 0.4%.

...and the trade surplus hit its second highest level ever

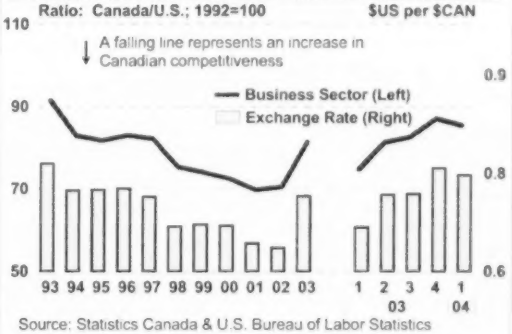
- The trade surplus hit its second highest level ever in April as exports grew six times faster than imports. Moreover, the surplus with the U.S. rose to $9.2 billion and the deficit with other countries decreased to $1.6 billion, resulting in a surplus of $7.6 billion.

* Australia, Iceland, Mexico, New Zealand, Norway, Switzerland, Turkey, Poland, South Korea, Hungary, Czech Republic, and Slovakia.

Merchandise Trade Flows and Balance



Unit Labour Cost Comparison ($US)



Source: Statistics Canada & U.S. Bureau of Labor Statistics

Merchandise Trade

April 2004	Levels ($ millions)		Year-to-date ($ millions)		Change ($M)	% Change	
	March 2004	April 2004	Jan.-Apr. 2003	Jan.-Apr. 2004	Mar. to Apr. 2004	Mar. to Apr. 2004	Jan.-Apr. 2003 to Jan.-Apr. 2004
Exports	**35,090**	**36,643**	**139,149**	**138,262**	**1,553**	**4.4**	**-0.6**
to United States	28,492	29,438	115,631	112,047	946	3.3	-3.1
Imports	**28,859**	**29,059**	**118,767**	**113,520**	**200**	**0.7**	**-4.4**
from United States	20,137	20,253	83,485	79,238	116	0.6	-5.1
Trade Balance	**6,231**	**7,584**	**20,382**	**24,742**	**1,353**		
with United States	8,355	9,185	32,146	32,809	830		
Exports by Commodity							
Agriculture/Fishing Products	2,547	2,636	10,018	10,071	89	3.5	0.5
Energy Products	5,157	5,367	22,858	20,893	210	4.1	-8.6
Forestry Products	3,229	3,360	11,387	12,458	131	4.1	9.4
Industrial Goods & Materials	6,301	6,805	22,315	25,042	504	8.0	12.2
Machinery & Equipment	7,691	8,064	31,130	30,177	373	4.8	-3.1
Automotive Products	7,564	7,776	29,884	29,361	212	2.8	-1.8
Other Consumer Goods	1,468	1,480	5,858	5,761	12	0.8	-1.7
Imports by Commodity							
Agriculture/Fishing Products	1,790	1,777	7,368	7,003	-13	-0.7	-5.0
Energy Products	1,841	1,856	7,128	6,963	15	0.8	-2.3
Forestry Products	250	260	1,037	982	10	4.0	-5.3
Industrial Goods & Materials	5,649	5,876	22,672	22,485	227	4.0	-0.8
Machinery & Equipment	8,295	8,362	33,772	32,818	67	0.8	-2.8
Automotive Products	6,272	6,056	27,027	24,286	-216	-3.4	-10.1
Other Consumer Goods	3,803	3,854	15,794	15,158	51	1.3	-4.0

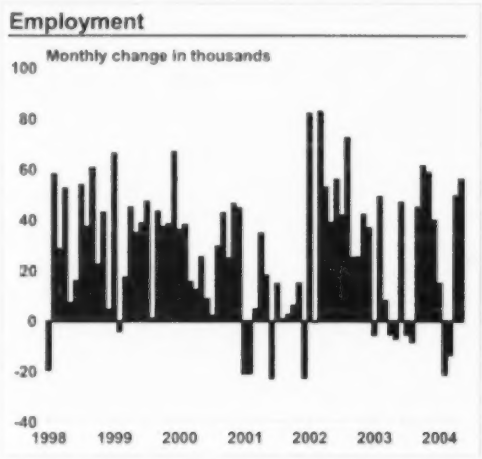
Employment and Unemployment

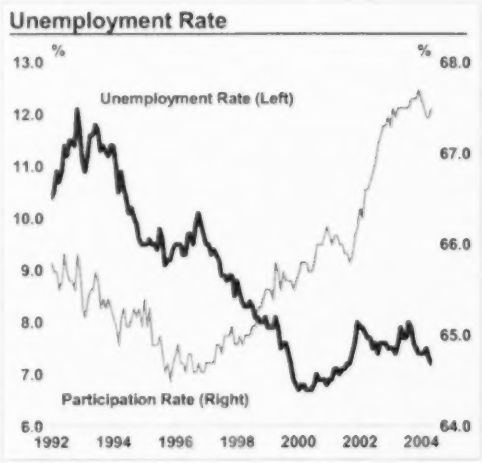
Employment continued to surge in May...

- Employment surged 56,000 in May, following an increase of 50,000 in April. So far this year, employment has increased 86,000, with full-time employment rising 154,000 and part-time employment dropping 68,000.
- Hours worked increased 2.6% in May, more than offsetting a decline in April.
- Employment increased for both adults (41,000) and youth (15,000). This was the second consecutive monthly increase for youth, after four consecutive monthly declines.
- Private sector employment posted an increase of 42,000, mostly in self-employed (25,000). Public sector employment increased by 14,000.
- The participation rate edged up by 0.1 percentage point to 67.5% while the employment rate edged up to 62.6%. These are close to the all-time highs posted in December 2003.

...and the unemployment rate edged down to 7.2%

- The unemployment rate decreased by 0.1 percentage point to 7.2% in May, the lowest rate since July 2001. The unemployment rate for adults edged down 0.1 percentage point to 5.9%, but the youth unemployment rate edged up 0.1 percentage point to 14.0%.





Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2003 May	2004 April	2004 May	last month	last year	year-to-date	last month	last year
Employment	15,682.1	15,950.7	16,006.8	56.1	324.7	86.1	0.4	2.1
Full-time	12,741.9	13,033.9	13,071.1	37.2	329.2	153.9	0.3	2.6
Part-time	2,940.2	2,916.7	2,935.7	19.0	-4.5	-67.7	0.7	-0.2
Youth 15-24	2,402.4	2,403.6	2,418.4	14.8	16.0	-0.4	0.6	0.7
Adult 25+	13,279.7	13,547.1	13,588.4	41.3	308.7	86.6	0.3	2.3
Self-employed	2,391.1	2,446.3	2,471.5	25.2	80.4	34.1	1.0	3.4
Unemployment	1,339.3	1,254.3	1,240.2	-14.1	-99.1	-26.6	-1.1	-7.4
Unemployment Rate	7.9	7.3	7.2	-0.1	-0.7	-0.2		
Youth 15-24	14.0	13.9	14.0	0.1	0.0	0.0		
Adult 25+	6.7	6.0	5.9	-0.1	-0.8	-0.2		
Labour Force	17,021.5	17,205.0	17,247.0	42.0	225.5	59.6	0.2	1.3
Participation Rate	67.5	67.4	67.5	0.1	0.0	-0.2		
Employment Rate	62.2	62.5	62.6	0.1	0.4	-0.1		

Industry Overview

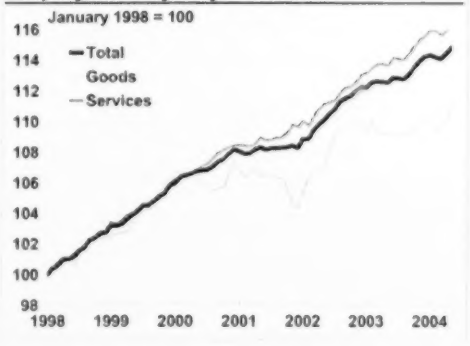
More employment growth in the Goods sector...

- Employment in the Goods sector increased by 33,000 in May, the third consecutive monthly increase. Construction (20,000) and Manufacturing (12,000) posted the largest increases.
- So far this year, the Goods sector has gained 30,000 jobs, including a gain of 15,000 in Manufacturing and of 15,000 in Construction. Despite recent increases, the employment level in Manufacturing is 63,000 below its peak of 2,363,200 in August 2002.

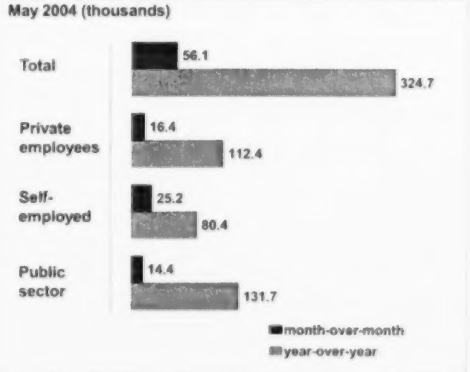
...while employment in the Services sector continued to grow

- Employment in Services increased 23,000 in May, following an increase of 28,000 in April. Service employment has risen 56,000 so far this year. On a year-over-year basis, the Services sector has gained 257,000 jobs.
- May job gains were concentrated in Educational Services (11,000), Professional, Scientific & Technical Services (9,000), and Other Services (9,000).
- Only Information, Culture & Recreation (13,000), Accommodation & Food Services (9,000) and Business, Building and Other Support Services (4,000) posted job losses.

Employment by Major Sector



Employment Growth by Worker Category



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2003 May	2004 April	2004 May	last month	last year	year-to-date	last month	last year
Goods-producing	3,977.9	4,012.4	4,045.3	32.9	67.4	30.0	0.8	1.7
Agriculture	339.5	343.7	338.7	-5.0	-0.8	-7.8	-1.5	-0.2
Natural Resources*	287.7	298.3	301.6	3.3	13.9	5.6	1.1	4.8
Utilities	132.9	130.0	133.5	3.5	0.6	2.8	2.7	0.5
Construction	920.2	952.0	971.7	19.7	51.5	14.6	2.1	5.6
Manufacturing	2,297.6	2,288.4	2,299.9	11.5	2.3	14.9	0.5	0.1
Services-producing	11,704.2	11,938.3	11,961.5	23.2	257.3	56.1	0.2	2.2
Trade	2,445.5	2,470.9	2,471.1	0.2	25.6	-6.3	0.0	1.0
Transportation*	750.4	809.3	814.1	4.8	63.7	31.9	0.6	8.5
FIRE*	924.2	976.9	978.4	1.5	54.2	21.7	0.2	5.9
Professional/Scientific	1,000.8	1,009.6	1,018.8	9.2	18.0	34.3	0.9	1.8
Business/Building	622.2	621.3	617.6	-3.7	-4.6	-20.0	-0.6	-0.7
Educational Services	1,058.2	1,044.9	1,055.8	10.9	-2.4	-5.3	1.0	-0.2
Health Care/Social Assistance	1,674.7	1,755.9	1,763.8	7.9	89.1	31.6	0.4	5.3
Information/Culture/Recreation	703.9	722.2	709.0	-13.2	5.1	-8.0	-1.8	0.7
Accommodation & Food	1,016.6	1,017.6	1,009.0	-8.6	-7.6	-20.5	-0.8	-0.7
Other Services	702.7	696.4	705.4	9.0	2.7	5.8	1.3	0.4
Public Administration	804.9	813.3	818.4	5.1	13.5	-9.2	0.6	1.7

*Natural Resources: Forestry, Fishing, Mining, Oil & Gas; Transportation includes warehousing; FIRE: Finance, Insurance, Real Estate & Leasing.

Provincial Overview

Job gains were concentrated in Ontario and British Columbia...

- Employment in Ontario increased 31,000 in May following little gain in the previous four months. The largest gains were in Health Care & Social Assistance (12,000), Finance (9,400) and Manufacturing (9,200). Employment in British Columbia increased by 15,000 with the largest gains in Educational Services (6,400) and Trade (5,200).

- All of the other provinces posted gains of 5,000 jobs or less; only Quebec (-7,000) and Saskatchewan (-2,000) posted job losses.

- On a year-over-year basis, all provinces have posted gains, notably New Brunswick (4.5%) and Nova Scotia (2.9%). Quebec and Ontario posted average gains of 2.1% and 1.9%, respectively.

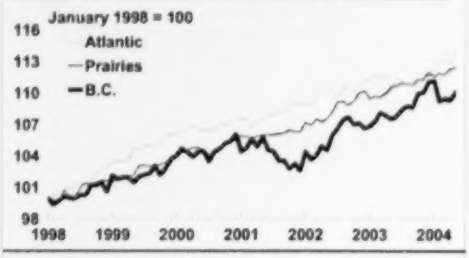
...and the unemployment rate declined in half the provinces

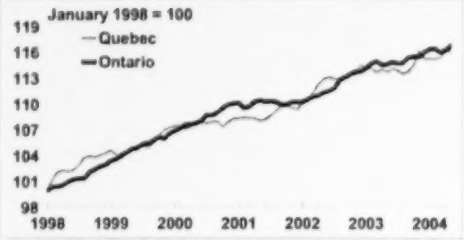
- The unemployment rate fell in five provinces, notably in Saskatchewan (0.6 percentage point to 4.8%) and Quebec (0.4 percentage point to 8.0%). The unemployment rate was unchanged in Newfoundland & Labrador, Prince Edward Island and New Brunswick.

- The unemployment rate increased in Ontario (0.2 percentage point to 7.0%) and British Columbia (0.1 percentage point to 7.8%). This was due to increases in the labour force.

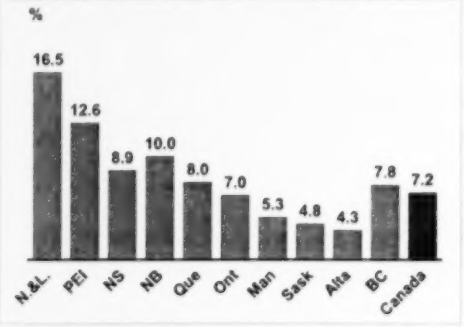
- Since May 2003, the unemployment rate has gone down in most provinces, particularly in New Brunswick, Quebec and Alberta, but it has risen in Manitoba, Prince Edward Island and Newfoundland & Labrador.

Regional employment patterns





Unemployment Rates -- May 2004



Provincial Employment and Unemployment Trends

	Employment (thousands)					Unemployment Rate (%)		
	Levels	Change since last month		Change since last year		Levels	Change since	
	2004 May	(000's)	%	(000's)	%	2004 May	last month	last year
Canada	16,006.8	56.1	0.4	324.7	2.1	7.2	-0.1	-0.7
Newfoundland & Labrador	222.6	3.3	1.5	4.5	2.1	16.5	0.0	0.2
Prince Edward Island	68.9	1.0	1.5	0.9	1.3	12.6	0.0	0.7
Nova Scotia	449.2	3.7	0.8	12.7	2.9	8.9	-0.1	-0.2
New Brunswick	352.5	3.9	1.1	15.2	4.5	10.0	0.0	-2.0
Quebec	3,708.0	-6.5	-0.2	75.2	2.1	8.0	-0.4	-1.3
Ontario	6,328.9	30.8	0.5	119.7	1.9	7.0	0.2	-0.2
Manitoba	575.8	1.6	0.3	4.0	0.7	5.3	-0.1	0.8
Saskatchewan	491.7	-1.8	-0.4	3.9	0.8	4.8	-0.6	-0.7
Alberta	1,756.1	5.0	0.3	39.9	2.3	4.3	-0.2	-1.2
British Columbia	2,053.1	15.2	0.7	48.7	2.4	7.8	0.1	-0.8

Consumer and Commodity Prices

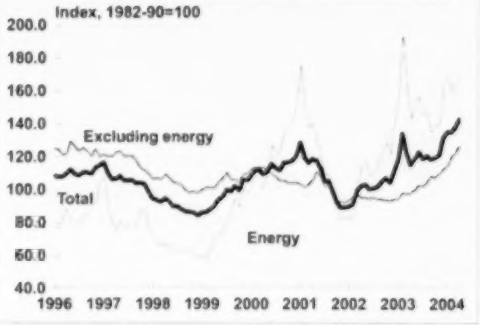
Inflation was 1.6% in April...

- On a year-over-year basis, the Consumer Price Index (CPI) rose 1.6% in April, following a 0.7% increase in March. The main factors pushing up the index were higher electricity rates (15.1%) and higher gasoline prices (6.9%). Excluding energy, inflation was 1.2% in April, the same as in March.
- All ten provinces posted higher inflation in April than in March led by Ontario (2.3%). Electricity rates escalated in Ontario in April 2004 compared to a legislated refund in April 2003.
- On a month-to-month basis (seasonally adjusted), the CPI in April rose by 0.2% compared to 0.1% in March.
- The year-over-year increase in commodity prices rose from 13.0% in March to 24.2% in April, the largest rise in 14 months. On a monthly basis, commodity prices rose 3.2% following a 2.6% increase in March. Excluding energy prices, commodity prices increased 3.1%, following a 2.5% increase in March.

...and the "core" rate rose to 1.8%

- The "core" rate of inflation, which excludes the eight most volatile components and indirect taxes, rose from 1.3% in March to 1.8% in April, below the midpoint of the 1%-3% official target range.

Commodity Prices ($US basis)

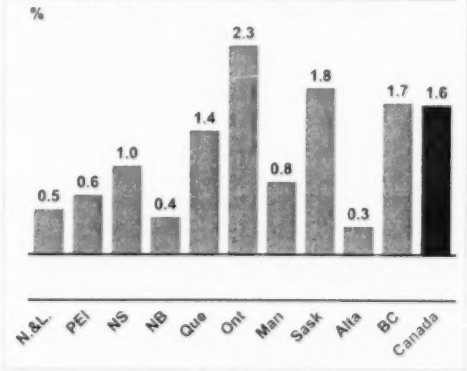


Consumer Prices

April 2004	Index (1992=100)	% Change since last month	% Change since last year
All items CPI	123.9	0.2	1.6
Food	123.4	-0.2	0.8
Shelter	119.6	0.5	2.7
Household operations	115.6	0.3	1.0
Clothing & Footwear	103.8	-1.4	0.0
Transportation	143.5	0.5	1.2
Health & Personal Care	119.0	0.6	1.9
Recreation, Educ. & Reading	127.1	-0.2	0.6
Alcohol & Tobacco	142.2	0.6	5.7
Excl. 8 Most Volatile/Indirect Taxes	123.9	0.2	1.8
Energy	146.2	2.0	6.4
Commodity Prices			
Index, 1982-90=100	143.1	3.2	24.2
Excluding Energy	127.0	3.3	29.3
Energy	170.0	3.1	18.2

Consumer Price Index

Provincial CPI Inflation -- April 2004



Short-term and Long-term Interest Rates

North American monetary authorities expected to raise interest rates this year

- The Bank of Canada left interest rates unchanged at 2.0% on June 8 as developments in the economy, except for the sharp rise in world oil prices, remained consistent with the Bank's outlook. In light of much improved economic conditions and prospects, most analysts expect the Bank and the U.S. Federal Reserve to begin raising interest rates later this year, likely sooner in the U.S. than in Canada given the lower interest rates and stronger growth in the U.S. The U.S. federal funds rate was unchanged at 1.0% on May 4, and the next scheduled rate announcement is on June 28.

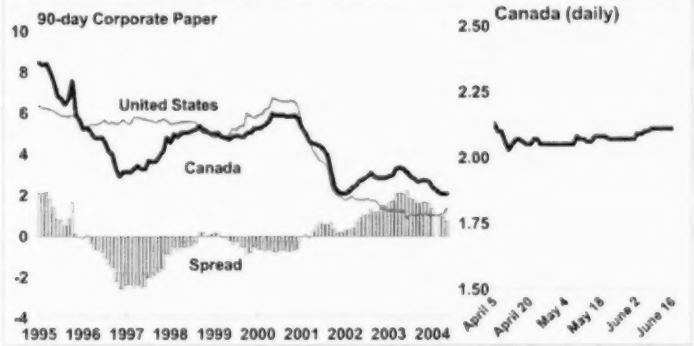
- The rate on 3-month corporate paper in Canada was 2.1% on June 16, up slightly from two months ago, but down from 2.7% last December. Its U.S. counterpart had risen near 1.5% on June 16, and the rate differential narrowed to about 60 bps.

North American long-term rates increased further in June

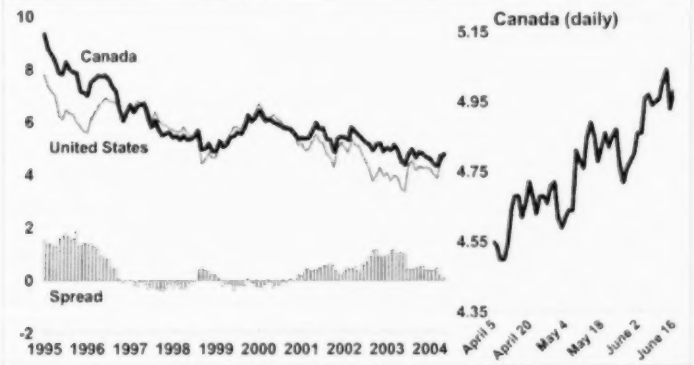
- Expectations of policy interest rate increases, supported by evidence of a strengthening economy and improving labour market conditions, and the recent increase in oil prices exerted upward pressure on long-term bond yields in May and June. U.S. 10-year yields have risen about 100 bps since mid-March to 4.8%, while in Canada yields have risen 80 bps to near 5.0% on June 16.

- One-year mortgage rates were 4.45% on June 9, 25 bps higher than in the first quarter. Five-year mortgage rates edged higher to 6.70%, up from a 5.70% low in March.

Short-term Interest Rates



Long-term Bond Yields



Key Market Rates

(end of period)	90-day Corporate Paper	*spread against U.S.*	Long Bond Yield	*spread against U.S.*
2002	2.83	1.50	4.88	0.93
2003	2.66	1.62	4.66	0.39
December	2.66	1.62	4.66	0.39
January	2.37	1.35	4.61	0.39
February	2.25	N/A	4.41	0.39
March	2.10	1.07	4.33	0.47
April	2.05	0.96	4.71	0.21
May	2.07	0.74	4.77	0.10
June 16*	2.11	0.67	4.98	0.24

A positive spread indicates that Canadian rates are above their U.S. counterparts. * Bank of Canada's Weekly Financial Statistics

Key Lending Rates

(end of period)	Overnight Rate	Prime Lending Rate	Mortgage Rate 1 year	5 year
2002	2.75	4.50	4.90	6.70
2003	2.75	4.50	4.75	6.45
December	2.75	4.50	4.75	6.45
January	2.50	4.25	4.30	6.05
February	2.50	4.25	4.30	5.80
March	2.25	4.00	4.30	5.70
April	2.00	3.75	4.45	6.15
May	2.00	3.75	4.55	6.50
June 16*	2.00	3.75	4.70	6.70

* Bank of Canada's Weekly Financial Statistics

Exchange Rates and Stock Prices

The Canadian dollar regained some strength in June

- The Canadian dollar has gained some ground against the U.S. dollar since mid-May (US¢71.7), on a slew of strong economic indicators, to close at US¢72.8 on June 16. The dollar has been trading around US¢73 in the last few months. Stronger growth in the U.S. and a narrowing spread between Canadian and U.S. interest rates have dampened some of the loonie's upward momentum and in mid-June it was trading about 7.0% below its peak in early January (US¢78.5).

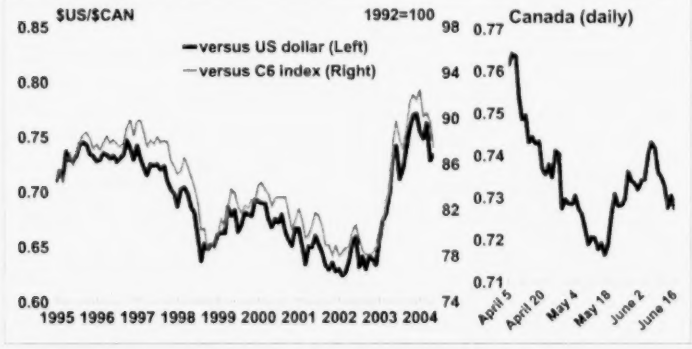
- The Canadian dollar traded fairly evenly against the euro in the past month following a depreciation in April. Also, since early May the Canadian dollar appreciated 3.1% against the Japanese yen.

North American stock markets resumed their upward trend in June

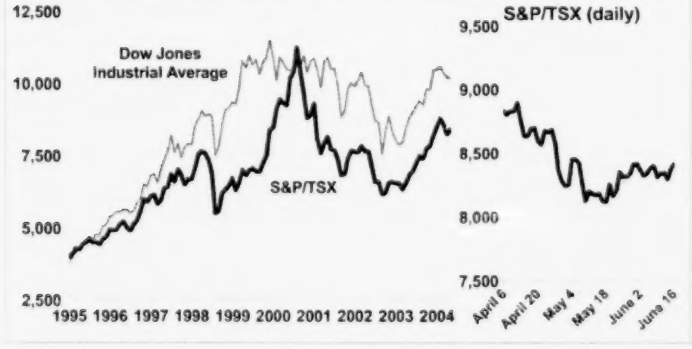
- Good news in labour markets had a positive impact on North American stock market indices in June, offsetting the effects of higher oil prices and expectations of higher interest rates. The S&P/TSX closed at 8,428 on June 16, up 3.7% from mid-May, but down 5.3% since its recent high in April. Metals & mining and gold sub-indexes regained some strength in May, rising 12.9% and 11.2% respectively, after falling in April.

- The Dow Jones closed on June 16 at 10,380, up 4.8% since mid-May, but down 1.8% compared to its recent high on April 6.

Canadian Dollar



Stock Market Indices



The Canadian Dollar

(close)	$US vs. $CAN	index vs. C-6 (92=100)	$CAN vs. EURO	yen vs. $CAN
2002	0.6339	78.80	n/a	n/a
2003	0.7713	91.65	1.628	82.86
December	0.7713	91.65	1.628	82.86
January	0.7548	92.54	1.652	79.83
February	0.7487	90.19	1.669	81.60
March	0.7626	90.55	1.615	79.53
April	0.7288	89.74	1.644	80.54
May	0.7335	87.57	1.662	80.23
June 16	0.7275	*87.51	1.654	79.97

* Bank of Canada's Weekly Financial Statistics

Key Stock Market Indexes

	May Close	% change from last month	% change from last year
S&P/TSX	**8,417**	**2.1**	**22.7**
Energy	166	0.6	26.7
Metals & Mining	221	12.9	77.2
Utilities	144	-3.7	4.3
Materials	150	7.6	36.0
Industrial	73	-1.9	16.6
Financial	140	0.6	23.9
Gold	208	11.2	25.8
Telecommunication	61	-1.2	9.6
Information Technology	33	11.9	67.6
Consumer Discretionary	90	2.2	23.6
Consumer Staples	175	2.4	10.3
S&P 500	**1,120.7**	**1.2**	**16.3**
Dow Jones	**10,189**	**-0.4**	**15.1**

U.S. Economic Trends

The U.S. economy kept its momentum in the first quarter...

- Preliminary estimates showed that real GDP increased 4.4% (annual rate) in the first quarter of 2004, an upward revision of 0.3% from the advanced estimate. Personal consumption (up 3.9%) accounted for roughly sixty percent of the overall increase in GDP. Contributions also came from non-residential investment (especially equipment and software), higher inventories and defense spending. Net exports of goods and services exerted a drag on growth. Real GDP growth has averaged 5% over the last four quarters.

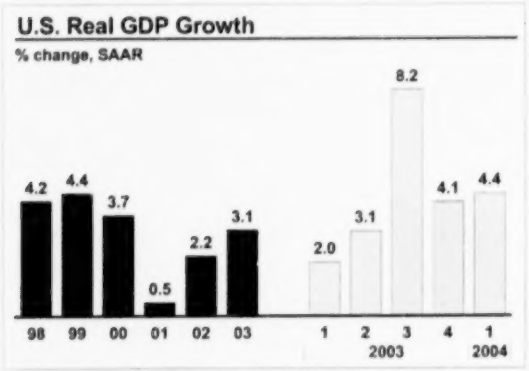
- Meanwhile, first quarter non-farm business productivity growth was upwardly revised from 3.5% (annualized) to 3.8% as output increased by 5.4% and hours worked rose by 1.5%.

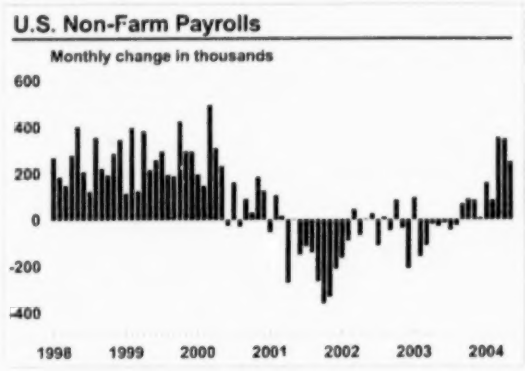
...and is poised to post robust growth in the second quarter

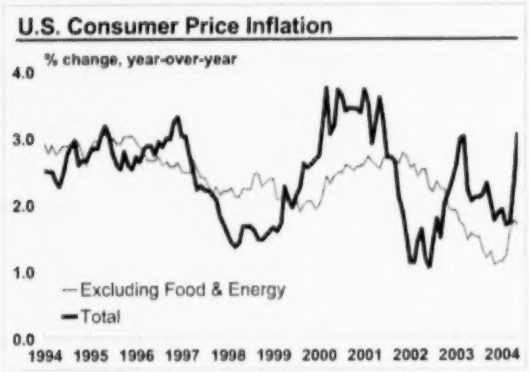
- The most significant sign of robust economic strength has been job growth in the last three months. Non-farm employment rose by 248,000 in May following gains of 346,000 in April. As a result, job creation reached 1.2 million since the beginning of 2004. Moreover, the size of the labour force increased in May (keeping the unemployment rate at 5.6%), suggesting that recent job growth is inciting discouraged workers to undertake job search. Industrial production increased 1.1% in May, following 0.8% increase in April while retail sales rose 1.2% in May.

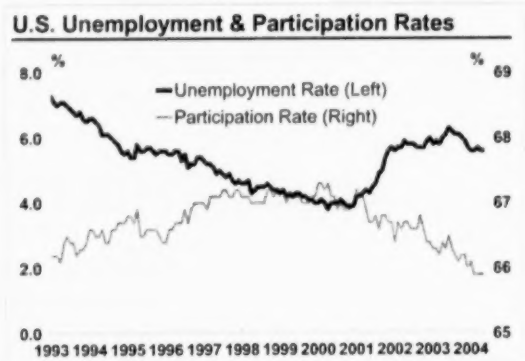
Rising energy prices pushed inflation up in May

- The CPI increased 3.1%, on a year-over-year basis, up sharply from 2.3% in April. This was solely due to a surge in energy and food prices as core inflation (which excludes these items) moderated to 1.7% from 1.8% in April.









Source: U.S. Bureau of Economic Analysis & U.S. Bureau of Labor Statistics

COMING UP

Key Future Data Releases and Planned Events

CANADA

Real GDP by Industry - April	June 30
Labour Force Survey - June	July 9
Canadian International Merchandise Trade - May	July 13
Monthly Survey of Manufacturing - May	July 15
Consumer Price Index - June	July 16
Key Policy Interest Rate Announcement	July 20
Financial Statistics for Enterprises - 2nd Quarter 2004	August 26
Balance of International Payments - 2nd Quarter 2004	August 30
National Economic and Financial Accounts - 2nd Quarter 2004	August 31

UNITED STATES

GDP - 1st Quarter 2004 (final)	June 25
Federal Open Market Committee Meeting	June 29/30
The Employment Situation - June	July 2
International Trade in Goods and Services - May	July 13
Consumer Price Index - June	July 16

Note: The June 2004 MEI uses data available as of June 18, 2004